MINUTES OF MEETING
MEDITERRA SOUTH
COMMUNITY DEVELOPMENT DISTRICT

A Special Meeting of the Mediterra South Community Development District's Board of Supervisors was held on **Thursday, March 15, 2012** at **1:00 p.m., in the Boardroom** at **The Club at Mediterra, 15755 Corso Mediterra Circle, Naples, Florida 34110**.

Present and constituting a quorum were:

Kenneth Nails	Chair
Frank Godshall	Vice Chair
Kenneth Tarr	Assistant Secretary
Bill Rowe	Assistant Secretary
Dallas Luby	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Jonathan Johnson (via telephone)	District Counsel
Brett Sealy	MBS Capital Markets, LLC
Jon Kessler	FMS Bonds

FIRST ORDER OF BUSINESS — **Call to Order/Roll Call**

Mr. Nails called the meeting to order at 1:00 p.m., and noted, for the record, that all Supervisors were present, in person.

SECOND ORDER OF BUSINESS — **Discussion: Recent Refunding Activity Results and Possible Authorizations to Proceed**

Mr. Sealy recalled his presentation at the January meeting and the Board's authorization for him to proceed with submitting a credit package to Standard & Poor's (S&P), specifically, based upon the decision to prepay the debt on The Club facility, which would provide the ability to obtain an S&P rating based on the residential component. Mr. Sealy confirmed the proceeds were deposited with the District and remanded to the trustee.

Mr. Sealy indicated a package was submitted to S&P approximately a week following the January meeting. He spent an extensive amount of time with S&P on issues anticipated to weigh heavily in S&P's decision, including the number of vacant developed lots spread across the three (3) assessment areas of both Mediterra Districts. He worked with the HOA to ensure the data provided to S&P was accurate. About 20 houses were picked up since the book was put together. Previously, 117 vacant lots were identified but now there are now about 97. The updated data was provided to S&P.

Mr. Sealy indicated S&P is offering a confidential reading; meaning, the rating would not be released publically, unless the refinance was to proceed. S&P's confidential rating was a BBB-. This rating is the lowest in the investment-grade category. The vacant developed lots and the concentration of the top ten (10) taxpayers currently paying assessments were the reason for the rating. The top ten (10) taxpayers had an 11.77% concentration. Mr. Sealy had hoped for a rating in the high to medium investment-grade category, such as an A- or BBB+; however, the District's situation did not pass two of S&P's criteria necessary for a better rating.

Mr. Sealy presented a spreadsheet detailing the status at the January meeting, when a high investment grade was anticipated versus where the District stands now, with the BBB- rating. He indicated the change is not huge; however, things can change day-to-day. He feels the District's annual reduction and net present value levels are still respectable. With a refinance, the principal would not be increased; it would reduce slightly. With Board authorization, Mr. Sealy would proceed with starting the refinancing documents and present a delegation resolution in about a month. The delegation resolution would include an offering document and, at that time, the Board would set certain minimum savings parameters so there would be flexibility in pricing the market. Mr. Sealy indicated, if he can meet those parameters, the District has another 30 days to decide whether to proceed. A closing would take place shortly thereafter.

Mr. Nails spoke of the 1999 bonds and questioned if the refinance could be split and done as private placements. Mr. Sealy explained the situation related to the 1999 bond taxpayers and the S&P placement, since the top 10% of taxpayers is so highly concentrated; while it is just under the 10%, it is a very small assessment area and may require an adjustment to the size of the debt service reserve fund so it would pass S&P's stress test. Mr. Sealy indicated he ran numerous scenarios; the distribution system for these types of bonds and the manner in which they are sold, is not a competitive bid process, like on Wall Street; however, he creates a competitive bid process by mailing an offering document to a wide variety of institutions and high net worth and retail buyers. There is a marketing period of five (5) days, followed by a two (2)-hour order period. During the order period, orders are accepted and the price is adjusted down until the lowest interest cost or best yield for the District is achieved, without eliminating all potential buyers. He referred to this as a negotiated bid deal but with a competitive bid order period. Mr. Sealy indicated the deals are mailed or he works with banks to privately place the deals and save on cost of issuance. The problem today is that banking institutions are only willing to go out ten (10) to 15 years, meaning the back end must still go through a public offering.

Mr. Nails voiced his understanding that Mr. Sealy does not feel it is beneficial to split the 1999 bonds off of the others. Mr. Sealy indicated the District can resubmit to S&P under a different structure; however, he cannot assure a better deal by splitting the 1999 bonds. Mr. Nails felt the Board has a responsibility to the District to see if a better rating can be obtained. Mr. Godshall questioned if that approach would negatively affect the other bonds; therefore, he feels the Board has a responsibility to all.

Mr. Sealy reviewed the estimated current coupon rates, compared to January, noting a six (6) basis point differential. If the District can move up to the medium investment grade category, they could probably pick up about 40 basis points. Mr. Nails stressed his concern regarding taxpayers in the 1999 bond area being negatively impacted, when they are not the problem. Mr. Sealy advised that about 19% of the 2001 A area is vacant lots. Mr. Nails voiced his opinion that the District should split off and move forward, as it would have a better rating, lower yield and costs. Mr. Sealy stated that is Mr. Nails' assumption; however, it must be proved and the only way to prove it is to resubmit to S&P. Mr. Sealy indicated he is willing to proceed with obtaining a rating on only the 1999 portion but the differential is probably not a lot. Discussion ensued regarding what happens with the 2001A portion and other refinancing scenarios. Mr. Sealy felt the District could not obtain standalone ratings on the Mediterra South or North 2001 bonds, without combining them.

Mr. Nails reiterated his opinion that a certain group of people would realize a big savings but the other area would not. In response to a question, Mr. Sealy felt there is no guarantee that the 1999 portion can obtain a higher rating. Mr. Sealy discussed the allocation and issuance costs related to combining the portions and separating them.

Speaking in real dollars, Mr. Sealy explained that a 40 basis point differential, on a $3 million bond issue, is $12,000 per year. He stated the Board should consider that interest rates could change during a delay in proceeding and, ultimately, wipe out savings potential. Discussion took place regarding whether the benefit of splitting the bonds for refinancing is worth possibly creating friction with Mediterra North.

On MOTION by Mr. Luby and seconded by Mr. Godshall, with all in favor, authorizing Mr. Sealy to proceed with formalizing rates, preparation of documents and to present a delegation resolution to the Board, at their next meeting, at which time the Board will make a decision on formally proceeding with the refinancing and setting parameters for marketing, was approved.

Mr. Adams recommended the Board have a contingency plan, should Mediterra North choose not to join in refinancing, such as proceeding with refinancing Mediterra South's 1999 and 2001 bonds. Mr. Sealy noted it would be necessary to resubmit to S&P.

On MOTION by Mr. Luby and seconded by Mr. Godshall, with all in favor, authorizing Mr. Sealy to proceed with submitting a credit package to S&P based on the Mediterra South 1999 and 2001 bonds, should Mediterra North elect not to join in the current proposed refinancing plan, was approved.

THIRD ORDER OF BUSINESS **Audience Comments/Supervisors' Requests**

Brief discussion ensued regarding new developers in the community and current building.

Mr. Godshall recalled discussion at the last meeting regarding homeowners' lake bank erosion costs and his understanding that costs would be minimal to the homeowners; however, the costs are higher. Mr. Adams confirmed he was looking at the incorrect column at the last meeting and, unfortunately, the homeowners' costs are higher than he stated. Mr. Adams indicated letters were mailed several weeks ago and, to date, three (3) homeowners wish to join in the work; however, they have until April 1 to respond. Mr. Adams felt the work would be completed by the next scheduled Board meeting.

At the next meeting, Mr. Adams will report on the Collier County position, as related to the putting green and slope of the lake bank. Regarding pond testing, he will also present an analysis of the data collected.

NEXT MEETING DATE: May 16, 2012 at 11:30 A.M.

FOURTH ORDER OF BUSINESS **Adjournment**

There being no further business to discuss, the meeting adjourned.

On MOTION by Mr. Luby and seconded by Mr. Godshall, with all in favor, the meeting adjourned at 1:40 p.m.

Secretary/Assistant Secretary

Chair/Vice Chair